

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## **Trade With East Holds Lure for Western Germany**

WASHINGTON — Germany represents the basic dilemma in the foreign policy of the United States today. Is it possible for us simultaneously to promote the recovery and to perfect the security of Western countries not dominated by Soviet influence? The first of the Truman Administration's two major goals in foreign policy is to keep America ahead in the race for power with the Soviet Union. The second is to assist the nations in the Western world to become economically self-supporting—the aim of the Marshall Plan. In a statement reflecting both those purposes, Secretary of State Dean Acheson on February 8 told his press conference that he is endeavoring to strengthen areas friendly to us at every possible point and in every possible way. American experiments in world affairs since 1945 suggest that, in order to strengthen its friends by promoting their recovery, the United States will have to change its commercial policy toward the Soviet Union; or, to reinforce existing security programs, will have to subsidize the commerce of the friendly nations indefinitely beyond the date of 1952 originally set for the termination of the Marshall Plan.

### **Problem of German Recovery**

The conflict between recovery and security is illustrated by the consequence of the United States practice, inaugurated in 1948, of forbidding the export of many materials to the Soviet Union and to countries governed by regimes friendly to Moscow. The object of the prohibition, which limits not only the trade of the United States but also that of Western

Germany and other European countries receiving Marshall Plan help, is to delay expansion of the Soviet industries necessary for the conduct of modern warfare. While such a policy fosters security insofar as it exempts the United States from responsibility for building up its rival, it retards recovery in Germany and probably in other European nations.

Western German economy remains unstable despite the encouragement the United States has given to its revival by Marshall Plan help and by the abandonment of much of the harsh policy for repression of German industrial activity which the Allies enunciated in 1945. West German unemployed now number 2 million. The German Democratic Government (the Soviet zone) is taking advantage of that situation to stress the cost to West Germany of the restrictions on trade with the East. Deputy Prime Minister Walter Ulbricht of East Germany said at a meeting of the People's Chamber in Berlin on February 9 that Western Germany is forbidden to export eastward mining machinery, rolling machinery, cellulose and artificial rubber, among other items. Meanwhile, markets in the West for these German items are limited by the competitive interest of leading Western industrial powers in selling similar goods.

Further exploiting the economic confusion of his compatriots across the Oder, Herr Ulbricht added: "We are prepared to insure that West German employers will be able to benefit by the expansion of the foreign trade of the German Democratic Republic. I have com-

missioned the Minister of Foreign Trade, Herr Handke, to conduct preliminary negotiations for a trade agreement with the People's Republic of China. These negotiations are also to make allowance for the delivery possibilities of West German firms."

### **U.S. Policy in Germany**

American awareness of the danger of such blandishments partly accounts for the influence which the government headed by Chancellor Konrad Adenauer gained last autumn in dealings with United States High Commissioner John J. McCloy. That influence is subsiding, at least temporarily. Upon his return from a visit to Washington, Mr. McCloy, in a speech in Stuttgart on February 6, manifested the new firmness in dealing with German affairs which the FOREIGN POLICY BULLETIN of January 27 had predicted, stating that Germany would not have an army or an air force.

The High Commissioner's attitude helps to solidify the relationship of America, Britain and France in their joint control of West Germany, but it does not remove the underlying fact that, by its geographical situation, Germany is free to choose between Soviet and Western affiliation. Continued unemployment could lead the West German government, no matter how conservative its ministers, to make a choice we will not like. In the long run, the present Soviet experimental revival of the Berlin blockade threatens American influence in Germany less than the possibility that, in spite of American prohibitions, West German manufacturers and traders will seek Eastern markets for

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all types of German products. The chances of keeping Western Germany allied to the West might improve if the Truman Ad-

ministration took the initiative in freeing East-West trade or if the Administration would reassess the difficulties obstructing

the realization of present German recovery programs.

BLAIR BOLLES

## ***Shaky French Cabinet Faces Explosive Foreign Issues***

Although the spotlight on the international stage has shifted to the Far East, it would be unwise to assume that in the meantime Western Europe has been securely stabilized in an American-sponsored Atlantic community. The defection of the Socialists from the French "third force" government calls attention once again to the instability of the Paris regime—long considered the Achilles' heel of Western Europe. This instability rests fundamentally on antagonistic internal forces, but it has also been accentuated by perplexing external problems, particularly by recent developments concerning Germany and Indo-China.

A delegation headed by Saar Premier Johannes Hoffman began negotiations in Paris on February 7 for an agreement on complex issues relating to the area's important coal mines. The German-speaking Saar, with its autonomous government and economic ties with France, has been the focal point of recent Franco-German tensions, and the outcome of the new discussions may have far-reaching significance for the two countries.

### ***Indo-China in Arms***

A factor even more disturbing to French politics has been the troublesome Indo-Chinese situation. The recognition on January 31 by the Soviet Union of the rebel Vietnam Republic led by Ho Chi Minh, and the recognition on February 7 by Britain and the United States of Laos, Cambodia and the Bao Dai regime in Vietnam—following ratification by the French National Assembly of agreements conferring autonomy on these states—projected onto the international scene a question which the French had hitherto considered a domestic issue. On the one hand, France prepared to augment its military support of Bao Dai subsequent to the conclusion on January 25 of a bilateral accord with Washington for receipt of American military aid; matériels from the United States will not be used outside the Atlantic area, but arms of domestic manufacture can be employed elsewhere. On the other hand, Paris notified Moscow the day Russia recognized Ho that this action would "gravely impair French-Soviet relations."

Nevertheless, internal economic-political

stringencies make it impossible for France to step up what promises to be an increasingly costly campaign against the Ho regime. At the same time Paris is unwilling to accept the humiliation and domestic repercussions which would follow outright withdrawal from Vietnam. Consequently it is looking to the United States for support of the kind extended in Greece. But Washington, as Ambassador Philip C. Jessup indicated in Jakarta on February 3, does not consider recognition of the Bao Dai regime as constituting support for continued French colonialism. What is apparently needed is a means of saving French "face," while at the same time preventing Communist victory in Indo-China and maintaining America's role as protector of Asian independence.

Meanwhile the French internal crisis moved toward a denouement when the Socialist party, on February 3, instructed its nine members to resign from the three-month-old coalition cabinet of Georges Bidault, Popular Republican and wartime resistance leader. Although the Socialists had opposed the government's Indo-China policy, the immediate issue was a cost-of-living bonus. The cabinet proposed to give 3,000 francs (\$8.50) to all workers earning less than 14,000 francs (\$40) a month, with a smaller grant to those making between 14,000 and 18,000. The Socialists demanded the full bonus for all workers making less than 18,000 francs.

### ***Labor Support Wanted***

This action was dictated by broad considerations involving the party's fear of losing labor support.\* Increasing French production is chiefly benefiting peasants and the middle class, while the real wages of workers are only about 60 per cent of pre-war standards. Living costs have increased to twenty times pre-war, but wages have risen only about twelve times. In an effort to recapture worker support, the Socialists have been demanding the bonus to supplement wages of the poorest paid workers, and a return to collective bargaining in place of government-fixed wages.

The collective bargaining measure,

\*See *Foreign Policy Bulletin*, October 14, 1949.

which passed the National Assembly on February 8 after a long delay, will have very mixed results, however. It will relieve the government parties of the onus of keeping wages fixed while prices are allowed to rise on a free market. In the struggle for higher wages which may now ensue, the Socialists will attempt to re-establish their leadership in the labor movement. Some observers, however, predict that in the process of collective bargaining, which will require common action by all workers, the Communists, who command the CGT, the largest labor federation, will make the greatest gains.

The Communists, in fact, have welcomed this development with enthusiasm in the hope that it will enable them to recoup the losses they have been suffering recently as a result of calling political strikes. Following the Cominform line, they have been attempting to prevent the shipment of war matériel to Indo-China and to disrupt defense preparations, and they plan to obstruct the unloading of military aid from the United States. The Radical Socialists, most of whom abstained from voting on the government bill, have condemned the return to collective bargaining on the grounds that both strikes and higher wages will lead to inflation and will not actually increase the purchasing power of the workers.

M. Bidault, counting on the Socialists to support the government even though they had withdrawn from the cabinet, meanwhile decided not to resign and filled the vacancies with members of the MRP and Radical parties. On February 8 the new cabinet received a vote of confidence of 230 to 186, but this result was achieved only by the abstention of about 196 deputies, especially the Socialists, along with Gaullists and right-wing deputies. Without an absolute majority of 311 votes, however, the Bidault cabinet becomes a tolerated minority government, liable to fall at any time.

Should Bidault resign on a no-confidence vote, his successor would hold a strong weapon over the Assembly, since the constitution provides that after two such votes the legislature must be dissolved and new elections held. No one predicts with any confidence what would

result from such elections, but so far the Gaullists have urged them—as General Charles de Gaulle did again on February 11 in Paris—in the expectation that they would be the main beneficiaries.

Speculation regarding the possibility of a major change in the Gaullist policy, however, has arisen as a result of such

signs as the offer made in the National Assembly on February 7 by Edmond de Michelet, a spokesman for the General, to support a government of national union pending new elections. Some observers saw in the idea of such a regime—which would throw the Socialists into joint opposition with the Communists—as well as

in the prospects of new elections, only the prelude to civil violence and national catastrophe. Others hope that a new popular mandate or a revived spirit of national unity would clear the political atmosphere and perhaps reveal unexpected support for the policies of political moderation.

FRED W. RIGGS

## ***Dominican Dispute Tests Inter-American System***

When the Inter-American Treaty of Reciprocal Assistance was drawn up at Rio de Janeiro two and a half years ago, it was anticipated that its major contribution would lie not in settling family disputes within the hemisphere, or even as an alliance of American states against a non-American enemy, but rather as a model for similar regional alliances in more troubled areas under cover of the United Nations. On the two occasions when the Rio pact has been invoked, however, it has been in connection with disputes arising in the backwaters of the United States, the Caribbean, where this country's interests are immediately engaged. Currently a mission from the Organization of American States is touring the area in what is promised to be a "thorough ventilation" of the facts behind a long series of conspiracies hatched by political refugees who want to get back home and abetted or at least tolerated by the governments which have harbored the exiles. The parties involved are the despotic regimes of the Dominican Republic and Nicaragua, on the one hand, and the "reform" governments of Cuba, Guatemala, Costa Rica, and the former Democratic Action regime of Venezuela, on the other. Personal and national grudges, conflicting ideologies and opportunism combine to confuse the trail that the OAS mission must follow to determine the cause of the latest dispute between Haiti and the Dominican Republic.

### ***Filibustering: 1949 Model***

This is the fourth time within the space of a year that various inter-American machinery for the peaceful settlement of disputes has been set in gear over the Caribbean question. A bare week after the Rio treaty went into effect on December 3, 1948 it was invoked by the junta led by José Figueres of Costa Rica to determine responsibility for the "invasion" which anti-Figueres Costa Rican exiles mounted from Nicaraguan territory against the junta on December 10. The OAS on December 24, 1948 found that all parties to

the dispute had been at fault. Both Costa Rica and Nicaragua gracefully accepted the dictum of the OAS, and the Rio treaty was considered to have hurdled its first trial successfully.

Within two months, however, the Dumarsais Estimé government of Haiti communicated to the Council of the Organization of American States its anxiety over the "moral aggression" practiced by the Dominican Republic—with which Haiti uneasily shares the island of Hispaniola. General Rafael Leonidas Trujillo, it was claimed, had been giving Haitian exiles the freedom of his radio to fulminate against the Port-au-Prince government to an extent that could endanger the peace between the two nations. The council found nothing to warrant converting itself into the "Organ of Consultation" for the purposes of the Rio treaty. Shortly thereafter, however, the Inter-American Peace Committee, a fact-finding body created in 1940, went into action. The intervention of the committee, whose representatives visited both Port-au-Prince and Ciudad Trujillo, resulted in a ceremony on June 9 in which both governments promised to remain good neighbors. But two weeks later a Haitian was back on the controlled Ciudad Trujillo radio making attacks on the Estimé government, and Haiti once more appealed to the American states.

These events furnished the background for a United States memorandum dated August 18, 1949 to the committee, giving information on the activities of the innocent or not-so-innocent United States citizens who had been involved in running planes or arms or had hired themselves out as pilots to the exile groups. The memorandum, solicited by the committee, also advised that body to recommend to the American states strict observance of their international obligations. On September 19 Secretary of State Dean Acheson declared that the Rio de Janeiro security system "is now facing a crucial test" in the Caribbean and forcefully promised that wherever aggression or plotting oc-

curs "we shall use our strongest efforts, in keeping with our international commitments, to oppose it and to defend the peace of the hemisphere."

### ***Caribbean Cold War***

Trouble came to a head again, however, when Trujillo on December 12 requested power from his hand-picked Congress to declare war on any country which "willfully tolerates or protects concentrations of militarily organized forces equipped and trained on its territory for the purpose of invading the Republic"—an obvious reference to Cuba and Guatemala. Trujillo claimed he had word that a new airborne expedition against his country was preparing in Cuba under the auspices of the Cuban Red Cross, although an investigation by members of the international press at the Cuban government's invitation had failed to bear out the Dominican charge. This extraordinary action was condemned by the United States Secretary of State as "inappropriate" in a situation where adequate peace machinery existed. Almost at the same time, the Haitian government moved to break up a "vast conspiracy" and on January 6 lodged a complaint with the OAS Council in which it accused Trujillo of furnishing arms to Haitian malcontents to assassinate Estimé and leading members of his government, fire Port-au-Prince and murder the Dominican chargé d'affaires as a pretext for marching the Dominican army onto Haitian soil. Simultaneously, Trujillo, while denying the Haitian charge, demanded a hearing on his long-standing contention that Cuba, Guatemala and other countries in the Caribbean area are fostering unrest aimed at his regime.

The basic question the American republics must decide here is whether this latter-day Caribbean adventurism is a simple quarrel within a group of notoriously unstable states which started over relatively trivial and, in any event, internal issues and has been used by irresponsible governments to distract their own citizens from domestic problems. Or is the Caribbean



furnishing in miniature a Latin American version of the same ideological conflicts which divide and align the great powers on a world scale?

Trujillo is a Caribbean Mussolini who during twenty years in power has systematically and ruthlessly liquidated the opposition and now maintains himself by setting one-half of the Dominican people to inform on the remainder. Thus although the self-styled Benefactor has introduced peace and order in the country, the *New York Times* on August 28 described this as the "peace of the cemetery and the order of the penitentiary." With thousands of Dominican refugees located in neighboring countries and in the United States, Trujillo has reason to feel encircled. Undoubtedly, too, the reports of his "investigation service" concerning the hostile intentions of other Caribbean governments have magnified Trujillo's neurotic preoccupation with security. The effect has been to encourage arms expenditures out of all reasonable proportion to the country's budget or defense needs.

The Trujillo government, however, principally through its trouble-making radio, has been the provoker as well as the provoked. If any part of the Haitian charge is authentic, it is difficult to see what justifiable security motive the regime can have for interfering in Haitian affairs unless the Dominican claim is admitted that the constant pressure from Negro workers crossing the border from overpopulated Haiti to find employment represents a menace to "white" Dominicans.

As expressed in its lengthy memorandum, however, the United States point of view appears to be that responsibility for the Caribbean embroglio does not lie altogether with Trujillo. The reform governments demanded a *cordon sanitaire* around the Dominican dictator. But they did not seriously try to avail themselves of inter-American machinery for the adoption of new guiding principles under which the American republics as a group might intervene against any police state which threatened to become a menace to the peace. It is clear from the content of its memo that the United States believes, first, that neither the Cuban nor Guatemalan governments took adequate measures to enforce compliance on the part of private

citizens with the countries' international obligations and secondly, that official hands may not have been entirely clean.

Some of the neutrals in the little Caribbean cold war, however, contend that the fast-developing trend toward an alignment of self-styled "democracies" against "dictatorships" there and even in South America cannot be abated under the Rio military alliance. If revolutionary unrest in the region is to be eliminated, they believe genuine consideration must be given formulas for collective action to discourage the Trujillos from coming to power and the United States must take the lead in sponsoring any development of this kind. For this reason, Secretary Acheson's rebuke to the Dominican regime was welcomed in some quarters as an indication that Washington may no longer regard Trujillo as a "necessary evil."

OLIVE HOLMES

### Branches and Affiliates

\*BOSTON, February 17, *Pakistan—New Power Factor in the Far East*, Sir M. Zafrulla Khan

\*MINNEAPOLIS, February 17-19, *Far East Institute*, A. T. Steele, Livingston T. Merchant, His Excellency U. So Nyun.

OKLAHOMA CITY, February 20, *The Pattern of Russian Expansion*, John Scott

UTICA, February 20, *Resolved: That the U.S. Should Send an Ambassador to Spain*, Students of Colgate U. & Hamilton College

\*CLEVELAND, February 21, *U.S. Foreign Policy: A Re-examination in Light of New World Conditions*, Walter Lippmann

HOUSTON, February 21, *The Pattern of Russian Expansion*, John Scott

POUGHKEEPSIE, February 21, *U.S. Resources for Peace or for War*, Herman Beukema

\*BETHLEHEM, February 23, *The Economic Aspects of Peace in Our Time*, James Frederick Green

BUFFALO, February 23, *U.S. of Europe and U.S. of America*, Paul Emile Naggjar

COLUMBUS, February 23, *Israel and the Middle East*, Abd el Hamid M. Zaki, Spencer D. Irwin

NEW ORLEANS, February 23, *What to Expect in Europe*, John Scott

WORCESTER, February 23, *Point Four—The Prospects for Africa*, Lt. Col. The Honorable H. A. C. Howard

PROVIDENCE, February 24, *International Implications of Human Rights*, Mrs. Franklin Delano Roosevelt

SHREVEPORT, February 24, *The Pattern of Russian Expansion*, John Scott

BETHLEHEM, February 27, *A Political Scientist Looks at World Planning*, Dr. William M. Boyd

\*HUDSON-MOHAWK, February 27, *Point Four and the Marshall Plan*, Haldore E. Hanson

\*PITTSBURGH, February 28, *Is the British Empire a 'Going' Concern?* William Leonard Dale, J. Carroll Amundson

BUFFALO, March 1, *The Point Four Program*, Haldore E. Hanson

\*Data taken from printed announcement.

## News in the Making

**U.S. POLICY IN ASIA:** As American diplomats in Asia conferred with Ambassador Philip C. Jessup February 13-15 in Bangkok, the Administration took several moves toward shaping Far Eastern policy. An Export-Import Bank loan of \$100 million was extended to Indonesia, and the Korea and Formosa aid bill was passed by both the Senate and the House. Meanwhile the State Department on February 10 revealed its concern over air raids on Shanghai by Nationalist planes based on Formosa on the ground that the bombing not only endangers American property but provokes anti-American sentiment on the Chinese mainland.

**KASHMIR DISPUTE:** The efforts of the Western powers to create a strong front against Russia and communism in Asia continued to be hampered by the unresolved and complex issues of the India-Pakistan dispute over Kashmir and by differing views of the West and Prime Minister Nehru on Indo-China, India having so far declined to recognize the Bao Dai regime. Meanwhile, it was reported that Pakistan, Afghanistan and Iran are negotiating a mutual aid alliance, with Iran seeking to use its good offices in settling the Kashmir question.

**REFERENDUM ON LEOPOLD:** Belgians will go to the polls in March to decide whether they want King Leopold, exiled since the end of the war, to return to the throne. The Chamber of Deputies on February 8 established machinery for the referendum after months of bitter controversy. The King has stated that he will not return unless supported by 55 per cent of the vote.

**MARSHALL PLAN AT MIDPOINT:** The European Marshall Plan Council reported on February 7 that Western Europe had returned to 1938 production rates and had halved its dollar deficit in the last two years. At the same time it saw no clear solution for abolishing the rest of the deficit, pointing out that unless American imports are increased the rest of the world will have to cut its purchases from the United States to balance its accounts.